

NO. 96-31380

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NATURAL RESERVES GROUP, INC.,

IN THE DISTRICT COURT OF

Plaintiff

v.

BAKER HUGHES, INCORPORATED; BAKER  
SERVICE TOOLS, a Division of BAKER  
HUGHES PRODUCTION TOOLS, INC. n/k/a  
BAKER HUGHES OILFIELD OPERATIONS,  
INC.; BAKER SAND CONTROL, a Division  
of BAKER HUGHES OILFIELD OPERATIONS,  
INC.; EASTMAN CHRISTENSEN DRILLING  
SYSTEMS, which changed its name to EASTMAN  
TELECO COMPANY which merged with HUGHES  
CHRISTENSEN COMPANY which merged with  
BAKER HUGHES MINNING TOOLS, INC.,  
n/k/a BAKER HUGHES DRILLING  
TECHNOLOGIES, INC. which merged with BAKER  
HUGHES PRODUCTION TOOLS, INC., n/k/a  
BAKER HUGHES OILFIELD OPERATIONS, INC.;  
BAKER OIL TOOLS, INC. n/k/a BAKER HUGHES  
OILFIELD OPERATIONS, INC.; EASTMAN  
TELECO COMPANY which merged with HUGHES  
CHRISTENSEN COMPANY which merged with  
BAKER HUGHES MINING TOOLS, INC. n/k/a  
BAKER HUGHES DRILLING TECHNOLOGIES,  
INC. which merged with BAKER HUGHES  
PRODUCTION TOOLS, INC., n/k/a BAKER  
HUGHES OILFIELD OPERATIONS, INC.;  
TRI-STATE OIL TOOLS, INC; and MILCHEM,  
INC. d/b/a MILPARK DRILLING FLUIDS,

Defendants.

HARRIS COUNTY, TEXAS

160<sup>th</sup> JUDICIAL DISTRICT

PLAINTIFF'S ORIGINAL PETITION

Plaintiff Natural Reserves Group, Inc. ("NRG"), complaining of Baker Hughes, Incorporated; Baker Service Tools, a division of Baker Hughes Production Tools, Inc. n/k/a Baker Hughes Oilfield Operations, Inc.; Baker Sand Control, a division of Baker Hughes Oilfield

Operations, Inc.; Eastman Christensen Drilling Systems, which changed its name to Eastman Teleco Company which merged with Hughes Christensen Company which merged with Baker Hughes Mining Tools, Inc. n/k/a Baker Hughes Drilling Technologies, Inc. which merged with Baker Hughes Production Tools, Inc., n/k/a Baker Hughes Oilfield Operations, Inc.; Baker Oil Tools, Inc. n/k/a Baker Hughes Oilfield Operations, Inc.; Eastman Teleco Company which merged with Hughes Christensen Company which merged with Baker Hughes Mining Tools, Inc. n/k/a Baker Hughes Drilling Technologies, Inc. which merged with Baker Hughes Production Tools, Inc. n/k/a Baker Hughes Oilfield Operations, Inc.; Tri-State Oil Tools, Inc.; and Milchem, Inc. d/b/a Milpark Drilling Fluids (sometimes collectively referred to as the "Baker Hughes defendants" ), alleges for causes of action as follows:

#### The Parties

1. Plaintiff NRG is a corporation organized under the laws of the State of Texas, having its principal place of business at Five Post Oak Park, Suite 330, Houston, Texas 77027.
2. Defendant Baker Hughes, Incorporated is a corporation under the laws of the State of Delaware, having a principal place of business at 3900 Essex Lane, Suite 1200, Houston, Texas 77027. Baker Hughes, Incorporated can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.
3. Defendant Baker Service Tools is a division of Baker Hughes Production Tools, Inc., n/k/a Baker Hughes Oilfield Operations, Inc. Baker Hughes Oilfield Operations, Inc. is a corporation under the laws of the State of California, having a principal place of business at 3900 Essex Lane, Suite 1200, Houston, Texas 77027. Baker Hughes Oilfield Operations, Inc. can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.

4. Defendant Baker Sand Control is a division of Baker Hughes Oilfield Operations, Inc. Baker Hughes Oilfield Operations, Inc. is a corporation under the laws of the State of California, having a principal place of business at 3900 Essex Lane, Suite 1200, Houston, Texas 77027 Baker Hughes Oilfield Operations, Inc., can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.

5. Defendant Eastman Christensen Drilling Systems changed its name to Eastman Teleco Company which merged with Hughes Christensen Company which merged with Baker Hughes Mining Tools, Inc., n/k/a Baker Hughes Drilling Technologies, Inc. which merged with Baker Hughes Production Tools, Inc., n/k/a Baker Hughes Oilfield Operations, Inc. Baker Hughes Oilfield Operations, Inc. is a corporation under the laws of the State of California, having a principal place of business at 3900 Essex Lane, Suite 1200, Houston, Texas 77027 Baker Hughes Oilfield Operations, Inc. can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.

6. Defendant Baker Oil Tools, Inc. n/k/a Baker Hughes Oilfield Operations, Inc. is a corporation under the laws of the State of California, having a principal place of business at 3900 Essex Lane, Suite 1200, Houston, Texas. Baker Hughes Oilfield Operations, Inc., can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.

7. Defendant Eastman Teleco Company merged with Hughes Christensen Company which merged with Baker Hughes Mining Tools, Inc., n/k/a Baker Hughes Drilling Technologies, Inc. which merged with Baker Hughes Production Tools, Inc., n/k/a Baker Hughes Oilfield Operations, Inc. Baker Hughes Oilfield Operations, Inc. is a corporation under the laws of the State of California, having a principal place of business at 3900 Essex Lane, Suite 1200,

Houston, Texas 77027 Baker Hughes Oilfield Operations, Inc. can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.

8. Defendant Tri-State Oil Tools, Inc. is a corporation under the laws of the State of California, having a principal place of business at 363 North Sam Houston Parkway East, No 1900, Houston, Texas 77060. Tri-State Oil Tools, Inc. can be served with process herein by serving C.T. Corp. Systems, 350 North St. Paul, Dallas, Texas 75201.

9. Defendant Milchem, Inc. d/b/a Milpark Drilling Fluids is a corporation under the laws of the State of Delaware, having a principal place of business at 3900 Essex Lane, Suite 1200, Houston, Texas 77027. Milchem, Inc. can be served with process herein by serving C.T. Corp. Systems, 811 Dallas Avenue, Houston, Texas 77002.

#### Jurisdiction and Venue

10. This Court has jurisdiction in this cause because the damages suffered by NRG are in excess of the minimum jurisdictional requirements of this Court.

11. Venue is proper in Harris County, Texas because all or part of the cause of action accrued in this county.

#### Background Facts

12. In 1991, NRG developed certain technology, including concepts, techniques and methods, relating to completing horizontal wells, which technology was proprietary and confidential to NRG ("NRG's Proprietary Information"). NRG's Proprietary Information is a valuable business asset giving those who use it a competitive advantage. Recognizing the value of NRG's Proprietary Information, NRG has at all times taken reasonable precautions to maintain its confidentiality.

13. In November 1991, NRG approached one of the Baker Hughes defendants for the purpose of having the Baker Hughes defendants assist NRG in evaluating the mechanical feasibility, uniqueness, novelty and patentability of NRG's Proprietary Information. Taking reasonable precautions to protect NRG's Proprietary Information, NRG discussed the general concepts of completing multi-lateral or horizontal wells from a vertical well while providing the juncture between the lateral wells and the vertical well. NRG told the Baker Hughes defendants it had developed some potentially patentable techniques and wanted to present them with information concerning its inventions but would only do so if the Baker Hughes defendants executed a confidentiality agreement.

14. On December 3, 1991, NRG presented a draft confidentiality agreement to the Baker Hughes defendants. In response, the Baker Hughes defendants requested that a document drafted by them, entitled "Agreement for the Exchange of Proprietary Information (the "Confidentiality Agreement"), be executed.

15. On December 13, 1991, the first of the Baker Hughes defendants executed the Confidentiality Agreement. Although a total of four identical Confidentiality Agreements were executed by different Baker Hughes defendants, NRG was advised by the Baker Hughes defendants that the execution of any one of the Confidentiality Agreements obligated all of the Baker Hughes defendants to the terms and conditions stated in the Confidentiality Agreement. None of NRG's Proprietary Information was disclosed to the Baker Hughes defendants prior to the execution of a Confidentiality Agreement on December 13, 1991.

16. The Confidentiality Agreements, attached hereto as Group Exhibit "A" and incorporated herein, provide in pertinent part:

3. The Receiving Party [the Baker Hughes defendants] hereby covenants and agrees that it will not knowingly (either directly or indirectly) reveal or disclose Propriety Information or the fact that the parties have entered into this Agreement, to any other person, partnership, association, or corporation and shall treat all such Proprietary Information received from the Disclosing Party [NRG] as a trade secret proprietary in nature to the Disclosing Party and will safeguard the secrecy of Proprietary Information by following the same procedures used in safeguarding its own valuable confidential information and trade secrets.

4. The Receiving Party covenants and agrees not to use, sell, lease, license or otherwise commercially use Proprietary Information or distribute information regarding the relationship of the parties, either directly or indirectly, unless express, prior authorization in writing is obtained from an officer of the Disclosing Party.

17. The purpose of the disclosures by NRG to the Baker Hughes defendants subject to the Confidentiality Agreements was to further the relationship in which the Baker Hughes defendants would evaluate the feasibility, uniqueness, novelty and patentability of NRG's Proprietary Information, join NRG in patenting NRG's inventions, and utilize NRG's Proprietary Information in the marketing and application of NRG's novel techniques for the drilling and completion of horizontal wells, in a manner not previously utilized by the Baker Hughes defendants.

18. In the approximately 15 meetings that subsequently occurred between NRG and the Baker Hughes defendants, which were attended by a total of approximately 26 Baker Hughes employees, the Baker Hughes defendants were very impressed with the novelty, as well as the potential commercial viability, of NRG's Proprietary Information. During the course of these meetings, the Baker Hughes defendants continually reaffirmed their interest in assisting NRG in patenting, implementation and marketing of NRG's Proprietary Information. Further, the Baker Hughes defendants continued to assure NRG that NRG's Proprietary Information was feasible, unique, novel and patentable. The Baker Hughes defendants also represented that neither they,

nor anyone else to their knowledge, were developing technology or process similar to NRG's Proprietary Information. The Baker Hughes defendants also represented that they could improve certain aspects of NRG's Proprietary Information to the mutual benefit of NRG and the Baker Hughes defendants.

19. Throughout the course of these meetings, NRG fully shared and disclosed NRG's Proprietary Information; the Baker Hughes defendants disclosed nothing.

20. Further, the Baker Hughes defendants intentionally failed to disclose throughout the course of these meetings that their true intention was to patent NRG's Proprietary Information as their own.

21. After inducing NRG to share NRG's Proprietary Information with them, the Baker Hughes defendants then embarked on a deliberate course of delay in order to gain time to take advantage of NRG's Proprietary Information by finalizing and filing their United States patent applications, which claimed NRG's Proprietary Information as their own. As part of this delay strategy, counsel for the Baker Hughes defendants advised NRG, as a prelude to filing patent applications, to have a patent search conducted. Because NRG trusted and relied on the Baker Hughes defendants, NRG had a patent search conducted by a person suggested by counsel for the Baker Hughes defendants at its own expense and shared the results of the search with the Baker Hughes defendants.

22. For the next several months the Baker Hughes defendants continued to delay and blamed their failure to progress with the patenting, implementation and marketing, of NRG's Proprietary Information on problems related to their decentralized operating structure, and an alleged concern about their ability to protect such a process patent against infringement.

23. In an effort to overcome the apparent inertia of the Baker Hughes defendants, NRG filed its own United States patent applications, including one filed on September 10, 1992 covering NRG's Proprietary Information, which matured into United States Patent No. 5,301,760. At this time NRG did not know that the Baker Hughes defendants had violated the terms of the Confidentiality Agreements, had blatantly misappropriated NRG's Proprietary Information, and had filed six patent applications on August 7, 1992, each of which incorporated NRG's Proprietary Information.

24. After filing their six United States patent applications, the Baker Hughes defendants continued to mislead NRG. In fact, on September 3, 1992, in a meeting with NRG, the Baker Hughes defendants apologized for their lack of response to NRG's proposal to work together to prosecute NRG's patent applications and professed a continuing interest in the proposal.

25. Subsequently, Baker Hughes filed foreign patent applications throughout the world corresponding to the six United States patent applications filed on August 7, 1992; each of these foreign patent applications also included NRG's Proprietary Information.

26. Later, NRG was granted three United States patents based on NRG's Proprietary Information. Unbeknownst to NRG, however, the Baker Hughes defendants were also awarded six United States patents based on NRG's Proprietary Information.

27. Between September 1992 and February 1995, there were no substantive communications between NRG and the Baker Hughes defendants. Suddenly, on February 10, 1995, Carl Rowold, Chief Patent Counsel for the Baker Hughes defendants, called NRG and asked whether NRG would be interested in either licensing or assigning NRG's patented technology to Baker Hughes Incorporated.



28. On February 13, 1995, Rowold and Frank Richardson of the Baker Hughes defendants met with NRG. At the meeting, Rowold asked whether NRG had done anything with NRG's patents. Rowold also told NRG that Baker Hughes Incorporated wanted either to obtain an exclusive license or wanted to buy NRG's patents. Richardson said that the Baker Hughes defendants knew of no company which was utilizing NRG's patented techniques. During the meeting, NRG received an unsolicited letter from Jerry J. Dunlap, an Oklahoma attorney, who also inquired whether NRG would be willing to sell NRG's patents. After the meeting, NRG called Dunlap and asked who he represented. Dunlap refused to identify his client. Rowold later admitted, however, that Dunlap had made the inquiry on behalf of the Baker Hughes defendants.

29. Over the course of the next several months, the Baker Hughes defendants incessantly encouraged NRG to sell NRG's patents to them, while offering NRG a pittance of their true worth. Disappointed with the initial offer the Baker Hughes defendants made during a February 17, 1995 meeting, NRG decided to "shop the market."

30. On March 22, 1995, one of the potential licensees that NRG met with told NRG that, although it was impressed with the technology embodied in NRG's patents, it was concerned because Baker Hughes had been awarded patents which appeared to cover the same technology embodied in NRG's patents. This was the first time NRG had any reason to believe NRG's Proprietary Information had been misappropriated and improperly used by the Baker Hughes defendants.

31. On March 23, 1995, NRG determined that Baker Hughes had violated the terms of the Confidentiality Agreements, had misappropriated NRG's Proprietary Information, and had filed United States patent applications which not only disclosed NRG's Proprietary Information, but which also contained claims covering NRG's Proprietary Information.

32. Before receiving NRG's Proprietary Information, the Baker Hughes defendants had never marketed or applied techniques such as included in NRG's Proprietary Information for the completion of horizontal wells. It was only through the misappropriation of NRG's Proprietary Information that the Baker Hughes defendants were able to quickly develop their "ROOTS" System. By breaching the Confidentiality Agreements, by fraudulently misappropriating NRG's Proprietary Information and by breaching fiduciary duties owed to NRG, Baker Hughes unjustly enriched itself and caused monetary and commercial damage to NRG.

33. Subsequently, NRG entered into a license agreement with Sperry-Sun Drilling, Inc. dated November 9, 1995, pursuant to which the technology embodied in NRG's United States Patent No. 5,301,760 was licensed to Sperry-Sun. NRG also entered into a license agreement with Halliburton Energy Services, Inc. effective October 30, 1995, pursuant to which the technology embodied in by NRG's United States Patent Nos. 5,301,760, 5,289,876 and 5,337,808 was licensed to Halliburton Energy Services, Inc. The value of these licenses has been and will continue to be comprised and diminished by the wrongful acts and omissions of the Baker Hughes defendants.

For a First Cause of Action -- Breach of Contract

34. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

35. The Baker Hughes defendants breached the Confidentiality Agreements, by, among other things, (1) knowingly disclosing NRG's Proprietary Information, (2) failing to treat NRG's Proprietary Information as a trade secret, (3) failing to safeguard the secrecy of NRG's Proprietary Information, and (4) using, selling, leasing, licensing or otherwise commercially using NRG's Proprietary Information without the express prior written authorization from NRG.

These breaches of contract by the Baker Hughes defendants were a proximate cause of actual damages to NRG.

36. Based upon the foregoing breaches, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants.

For a Second Cause of Action -- Attorney's Fees

37. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 and 35 set forth above.

38. Because of the breaches of the Confidentiality Agreements by the Baker Hughes defendants, it has become necessary for NRG to retain the undersigned counsel to prosecute this action against the Baker Hughes defendants.

39. Pursuant to CIV. PRAC. & REM. CODE ANN §§ 38.001, NRG is entitled to recover from the Baker Hughes defendants its reasonable and necessary attorneys' fees incurred herein.

For a Third Cause of Action -- Misappropriation

40. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

41. The Baker Hughes defendants misappropriated NRG's Proprietary Information. This misappropriation by the Baker Hughes defendants was a proximate cause of actual damages to NRG.

42. Based on the Baker Hughes defendants' misappropriation of NRG's Proprietary Information, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover the Baker Hughes defendants, jointly and severally.

For a Fourth Cause of Action -- Breach of Duties Arising out  
of a Confidential or Fiduciary Relationship

43. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

44. The Baker Hughes defendants recognized in the Confidentiality Agreements that NRG was providing NRG's Proprietary Information in the strictest confidence, and in reliance upon the Baker Hughes defendants' express promises to not reveal or disclose NRG's Proprietary Information, to treat NRG's Proprietary Information as trade secrets proprietary in nature to NRG, to safeguard the secrecy of NRG's Proprietary Information and not to use, sell, lease, license, or otherwise commercially use NRG's Proprietary Information without the express, prior written authorization of NRG.

45. Both pursuant to the terms and conditions of the Confidentiality Agreements and by virtue of the circumstances surrounding the creation and continuation of their relationship, the Baker Hughes defendants had a confidential or fiduciary relationship with NRG. The special confidence place by NRG in the Baker Hughes defendants, to which the Baker Hughes defendants consented and agreed, created a special relationship of trust and confidence between NRG and the Baker Hughes defendants. Consequently, the Baker Hughes defendants owed fiduciary duties to NRG.

46. The Baker Hughes defendants breached the fiduciary duties which they owed to NRG. The breaches of fiduciary duty by the Baker Hughes defendants proximately caused actual damages to NRG.

47. Based on the Baker Hughes defendants' breaches of fiduciary duties, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally.

For a Fifth Cause of Action -- Breach of Duty of Good Faith and Fair Dealing

48. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

49. By virtue of the special relationship of trust and confidence between NRG and the Baker Hughes defendants, the Baker Hughes defendants owed to NRG a duty of good faith and fair dealing.

50. The actions and conduct of the Baker Hughes defendants constitute breaches of their duty of good faith and fair dealing owed to NRG. These breaches of the duty of good faith and fair dealing by the Baker Hughes defendants were a proximate cause of actual damages to NRG.

51. Based on the Baker Hughes defendants' breaches of their duty of good faith and fair dealing owed to NRG, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally.

For the Sixth Cause of Action -- Fraud

52. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

53. The actions and conduct of the Baker Hughes defendants constitute fraud. The Baker Hughes defendants represented that they would not reveal or disclose NRG's Proprietary Information, would treat NRG's Proprietary Information as trade secrets proprietary to NRG,

would safeguard the secrecy of NRG's Proprietary Information and would not use, sell, lease, license or commercially use NRG's Proprietary Information without the express, prior written authorization of NRG. The Baker Hughes defendants also represented that neither they, nor anyone else to their knowledge, were developing technology similar to NRG's Proprietary Information. The Baker Hughes defendants also represented that they could improve certain aspects of NRG's Proprietary Information for the mutual benefit of NRG and the Baker Hughes defendants and would assist NRG in patenting NRG's Proprietary Information. The Baker Hughes defendants failed to disclose and concealed that their true intention was to patent NRG's Proprietary Information as their own.

54. The representations and failures to disclose by the Baker Hughes defendants were false when made, or were made recklessly without knowledge of their truth, or were expression of intention of which the Baker Hughes defendants had special knowledge not shared with NRG, or were promises made without the present intention to perform. These representations and failures to disclose were made with the intention that NRG would rely upon them, which NRG justifiably did.

55. The Baker Hughes defendants have also defrauded NRG by their conduct. The Baker Hughes defendants engaged in an ongoing pattern of affirmative acts and omissions that were calculated to and did deceive NRG as to the true intentions of the Baker Hughes defendants.

56. Based on the fraud and the fraud by conduct of the Baker Hughes defendants' NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally.

For the Seventh Cause of Action -- Fraudulent Concealment

57. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

58. The Baker Hughes defendants fraudulently concealed from NRG the fact that they had misappropriated NRG's Proprietary Information and had incorporated NRG's Proprietary Information in the United States and foreign patent applications which were filed by and ultimately awarded to the Baker Hughes defendants.

59. Based on the fraudulent concealment of the Baker Hughes defendants, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally.

For the Eight Cause of Action. -- Unjust Enrichment

60. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

61. The Baker Hughes defendants were unjustly enriched at the expense of NRG.

62. Based upon the foregoing, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally. Also, NRG is entitled to an order of this Court directing the Baker Hughes defendants to assign to NRG all of their rights and interests in United States and foreign patents awarded to them which embody NRG's Proprietary Information.

For the Ninth Cause of Action, -- Conspiracy

63. NRG repeats and realleges the allegations contained in paragraphs 12 through 33 set forth above.

64. The Baker Hughes defendants conspired among themselves to accomplish unlawful purposes, or lawful purposes by unlawful means, in relation to NRG's Proprietary Information as more fully described above.

65. Based upon the foregoing conspiracy of the Baker Hughes defendants, NRG has suffered damages in excess of the minimum jurisdictional requirements of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally.

**For a Tenth Cause of Action -- Punitive Damages**

66. NRG repeats and realleges the allegations contained in 12 through 33, 41, 44 through 46, 49, 50, 53 through 55, 58, 61 and 64 set forth above.

67. The Baker Hughes defendants acted with such malice, ill will, and spite, and with such conscious indifference to NRG's rights and welfare, that the law allows the imposition of punitive damages. In this connection, NRG will suffer the loss of time and will incur expenses, including attorneys' fees, in prosecuting this action.

68. Based on the foregoing, NRG is entitled to recover punitive far in excess of the jurisdictional limits of this Court, for which it is entitled to recover from the Baker Hughes defendants, jointly and severally.

**Jury Demand**

69. NRG hereby requests trial by jury.

WHEREFORE, PREMISES CONSIDERED, plaintiff NRG respectfully prays that:

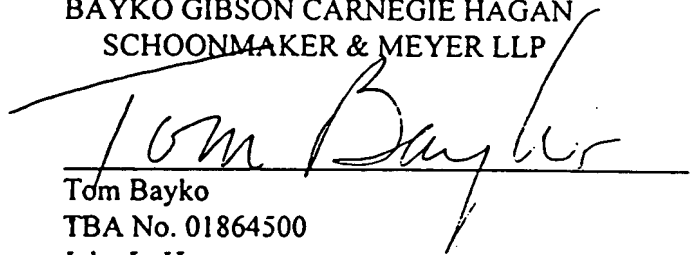
1. the Baker Hughes defendants be cited to appear and answer;



2. judgment be entered against the Baker Hughes defendants, jointly and severally where appropriate, in the amounts of actual and punitive damages to be determined by the jury in this case;
3. judgment be entered against the Baker Hughes defendants directing them to assign to NRG all of their rights and interests in United States and foreign patents awarded to them which embody NRG's Proprietary Information.
4. judgment be entered against the Baker Hughes defendants for NRG's reasonable and necessary attorneys' fees;
5. judgment be entered against the Baker Hughes defendants for prejudgment and post-judgment interest at the highest rate allowed by law; and
6. judgment be entered awarding NRG such other relief to which it may be entitled.

Respectfully submitted,

BAYKO GIBSON CARNEGIE HAGAN  
SCHOONMAKER & MEYER LLP

A handwritten signature in cursive script, reading "Tom Bayko", is written over a horizontal line.

Tom Bayko

TBA No. 01864500

John L. Hagan

TBA. No. 08684200

Texas Commerce Tower, 50<sup>th</sup> Floor

Houston, Texas 77002-2900

Telephone: (713) 223-0101

Telecopier: (713) 223-0042

William E. Johnson, Jr.  
TBA No. 10826000  
BROWNING, BUSHMAN, ANDERSON AND  
BROOKHART  
5718 Westheimer, Suite 1800  
Houston, TX 77057  
Telephone: (713) 266-5593  
Telecopier: (713) 266-5196

Kurt S. Myers  
LAW OFFICES OF KURT S. MYERS  
7634 Braesdale  
Houston, TX 77071  
Telephone: (713) 774-7152  
Telecopier: (713) 774-7152

Attorneys for plaintiff Natural Reserves Group, Inc.

# GROUP EXHIBIT A

## AGREEMENT FOR THE EXCHANGE OF PROPRIETARY INFORMATION

This Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_, between Eastman Christensen Drilling Systems, a Baker Hughes Incorporated company, having a mailing address of P.O. 670968, Houston, TX 77267-0968, (hereinafter referred to as "ECDS"); and Natural Reserves Group, Inc., having a mailing address of Five Post Oak Park, Suite 330, Houston, TX 77027, (hereinafter referred to as "NRG").

WHEREAS, each party is interested in disclosing certain of its confidential and proprietary information; and

WHEREAS, each party desires to keep secret and proprietary to itself the content of such disclosure; and

WHEREAS, each party desires to receive the other party's confidential and proprietary information to evaluate the possibility of ECDS providing certain services, equipment, or materials in connection with the drilling and completion of horizontal drain holes in unconsolidated sands and in connection with the drilling and completion of horizontal drain holes with retrievable whipstocks.

### WITNESSETH

NOW, THEREFORE, for and in consideration of the disclosure to each party of the confidential and proprietary information of the other party, the parties agree as follows:

1. The Proprietary Information shall mean, and shall include but not be limited to ideas, concepts, development plans for new or improved products or processes, data, formulae, techniques, designs, sketches, know-how, photographs, plans, drawings, specifications, samples, test specimens, reports, customer lists, price lists, findings, studies, or inventions.
2. The Disclosing Party shall make disclosure of Proprietary Information in a manner permitting the most appropriate and certain communication, i.e., orally, in writing, or partly orally and in writing. All confidential documents will be marked as such. Oral disclosures of Proprietary Information shall be reduced to writing and marked as confidential and provided to the Receiving Party within twenty (20) days of such disclosure. The Receiving Party agrees to return all Proprietary Information to the Disclosing Party upon demand from the Disclosing Party.

*Not written and filed in the file of this agreement*

3. The Receiving Party hereby covenants and agrees that it will not knowingly (either directly or indirectly) reveal or disclose Proprietary Information or the fact that the parties have entered into this Agreement, to any other person, partnership, association, or corporation and shall treat all such Proprietary Information received from the Disclosing Party as a trade secret proprietary in nature to the Disclosing Party and will safeguard the secrecy of Proprietary Information by following the same procedures used in safeguarding its own valuable confidential information and trade secrets.

4. The Receiving Party covenants and agrees not to use, sell, lease, license or otherwise commercially use Proprietary Information or distribute information regarding the relationship of the parties, either directly or indirectly, unless express, prior authorization in writing is obtained from an officer of the Disclosing Party.

5. The Receiving Party further covenants and agrees to use its best efforts to prevent the disclosure by any of its employees of any Proprietary Information with which such employees become familiar as a result of the exchange of information under this Agreement.

6. The Receiving Party understands and agrees that the Disclosing Party is entitled, in the event of any breach of this Agreement, to obtain a restraining order and/or injunction from any competent court of equity to enjoin and restrain the Receiving Party and its employees or agents from any disclosure of Proprietary Information of the Disclosing Party. Such equitable remedies shall be in addition to and not in lieu of any damages to which the Disclosing Party may be entitled by law.

Nothing hereinabove contained shall deprive the Receiving Party of the right to use or disclose any information:

- a. which is, at the time of disclosure, known to the trade or the public;
- b. which becomes at a later date known to the trade or the public through no fault of the Receiving Party and then only after said later date;
- c. which is possessed by the Receiving Party, as evidenced by the Receiving Party's written records, before receipt thereof from the Disclosing Party;

*Parties have agreed that they have not received any information from the Disclosing Party that is not already in the public domain.*

*\* Do not tell anyone we have a confidentiality agreement with the Disclosing Party.*

*There is no way to use the information after it becomes public.*

- d. which is disclosed to the Receiving Party in good faith by a third party who has an independent right to such information; or
- e. which is developed by the Receiving Party without assistance from the information received from the Disclosing Party, as evidenced by the Receiving Party's written records.
8. Nothing hereinabove contained shall be construed as granting or implying any right under any Letters Patent or to use any invention covered thereby. Nothing hereinabove shall be construed as granting or implying any right or duty to purchase any material. The obligations incurred in paragraphs 3, 4 and 5 shall terminate five years after return of Proprietary Information as provided in paragraph 2.
9. This Agreement is entered into in contemplation of, and shall be construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, NRG and ECDS have caused this Agreement to be executed by their duly authorized officers.

NATURAL RESERVES GROUP, INC.

By: Stephen A. Graham  
(Signature)

Name: Stephen A. Graham  
(Type or print)

Title: Operations Manager

Date: December 16, 1991

EASTMAN CHRISTENSEN DRILLING SYSTEMS  
(A Baker Hughes Incorporated Company)

By: Frog R. Price  
(Signature)

Name: Frog R. Price  
(Type or print)

Title: Vice President Western Hemisphere

Date: December 13, 1991

(NRG)



OIL & GAS EXPLORATION  
SERVICES • PROCUREMENT

## NATURAL RESERVES GROUP, INC.

FIVE POST OAK PARK • SUITE 330 • HOUSTON, TEXAS 77027  
PHONE: (713) 621-5533 • TELEX: 279884 HIBC UR • FAX (713) 621-8787

### SUMMARY OF CONFIDENTIAL DISCLOSURE

CONFIDENTIAL

#### **DRILLING & COMPLETING HORIZONTAL DRAINHOLES IN UNCONSOLIDATED SANDS**

This invention concerns drilling one or more horizontal drainholes through unconsolidated sands from one vertical cased wellbore for the purpose of minimizing gas, steam, and/or water coning due to the reduction of near wellbore fluid velocities across the span of the drainhole(s) and to maximize the wellbore exposure to the producing horizon(s) yielding greater oil deliverability. The curve portion of each drainhole will be cased and cemented to prevent gas and/or steam breakthrough above the target interval to be drilled horizontally. The horizontal portion of each drainhole will be filled with resin coated sand via a conductor pipe manufactured with a drillable material such as fiberglass or plastic. When the resin coated sand cures, the permeable sand pack will be communicated with the vertical wellbore by removing the conductor pipe using a specially designed pilot mill and conventional slimhole rotary or mud motor horizontal drilling technology.

#### **DRILLING & COMPLETING HORIZONTAL DRAINHOLES WITH RETRIEVABLE WHIPSTOCKS**

This invention concerns drilling one or more horizontal drainholes from one vertical cased wellbore for the purpose of optimizing pressure drawdown during production operations and maximizing the wellbore exposure to the producing horizon to yield greater hydrocarbon deliverability. Subsequent to drilling a vertical wellbore and cementing casing in place, a whipstock packer with a "shearable" anchor device is set a considerable distance below the target producing horizon to be drilled horizontally. After determining the orientation of the "guide-key" in the packer using a wireline conveyed gyroscopic tool, the "orienting lug" on the retrievable whipstock stinger is adjusted at the surface to the desired kickoff direction. This whipstock stinger and whipstock tool is run on a work string containing the starting mill assembly. Rigid drill collars are used to space out between the whipstock stinger and the whipstock tool. After milling a window in the casing, a horizontal well is drilled in the target formation. The horizontal well curve is then cased and cemented using an inflatable external casing packer. A "burning shoe" and wash pipe assembly is then run to drill thru the portion of the liner that is protruding in the vertical well. The burned over portion of the liner is then removed from the vertical well using conventional fishing tools. The whipstock can be left in place during production or it can be removed by fishing with conventional fishing tools. By removing the whipstock assembly, additional drainholes can be drilled in other directions or intervals using similar techniques. After all drilling activity is finished, the well can be completed with a downhole pump located below the producing horizon(s) to reduce gas interference and improve pump efficiency, thus optimizing pressure drawdown during production. The whipstock packer will remain in the "rathole" of the vertical well to enable the whipstock assembly to be re-run for reworks to the drainhole(s).

AGREEMENT FOR THE EXCHANGE OF  
PROPRIETARY INFORMATION

This Agreement is entered into this 13 day of January, 19 92, between Baker Service Tools, a division of Baker Hughes Production Tools, Inc., a California corporation, having a mailing address of P.O. Box 40129, Houston, Texas 77240-0129 (hereinafter referred to as "BST"); and Natural Reserves Group, Inc., having a mailing address of Five Post Oak Park, Suite 330, Houston, Texas 77027 (hereinafter referred to as "NRG").

WHEREAS, each party is interested in disclosing certain of its confidential and proprietary information; and

WHEREAS, each party desires to keep secret and proprietary to itself the content of such disclosure; and

WHEREAS, each party desires to receive the other party's confidential and proprietary information to evaluate the possibility of BST providing certain services, equipment, or materials in connection with the drilling and completion of horizontal drain holes in unconsolidated sands and in connection with the drilling and completion of horizontal drain holes with retrievable whipstocks.

W I T N E S S E T H

NOW, THEREFORE, for and in consideration of the disclosure to each party of the confidential and proprietary information of the other party, the parties agree as follows:

1. The Proprietary Information shall mean, and shall include but not be limited to ideas, concepts, development plans for new or improved products or processes, data, formulae, techniques, designs, sketches, know-how, photographs, plans, drawings, specifications, samples, test specimens, reports, customer lists, price lists, findings, studies, or inventions.
2. The Disclosing Party shall make disclosure of Proprietary Information in a manner permitting the most appropriate and certain communication, i.e., orally, in writing, or partly orally and in writing. All confidential documents will be marked as such. Oral disclosures of Proprietary Information shall be reduced to writing and marked as confidential and provided to the Receiving Party within thirty (30) days of such disclosure. The Receiving Party agrees to return all



Proprietary Information to the Disclosing Party upon demand from the Disclosing Party.

3. The Receiving Party hereby covenants and agrees that it will not knowingly (either directly or indirectly) reveal or disclose Proprietary Information or the fact that the parties have entered into this Agreement, to any other person, partnership, association, or corporation and shall treat all such Proprietary Information received from the Disclosing Party as a trade secret proprietary in nature to the Disclosing Party and will safeguard the secrecy of Proprietary Information by following the same procedures used in safeguarding its own valuable confidential information and trade secrets.
4. The Receiving Party covenants and agrees not to use, sell, lease, license or otherwise commercially use Proprietary Information or distribute information regarding the relationship of the parties, either directly or indirectly, unless express, prior authorization in writing is obtained from an officer of the Disclosing Party.
5. The Receiving Party further covenants and agrees to use its best efforts to prevent the disclosure by any of its employees of any Proprietary Information with which such employees become familiar as a result of the exchange of information under this Agreement.
6. The Receiving Party understands and agrees that the Disclosing Party is entitled, in the event of any breach of this Agreement, to obtain a restraining order and/or injunction from any competent court of equity to enjoin and restrain the Receiving Party and its employees or agents from any disclosure of Proprietary Information of the Disclosing Party. Such equitable remedies shall be in addition to and not in lieu of any damages to which the Disclosing Party may be entitled by law.
7. Nothing hereinabove contained shall deprive the Receiving Party of the right to use or disclose any information:
  - a. which is, at the time of disclosure, known to the trade or the public;
  - b. which becomes at a later date known to the trade or the public through no fault of the Receiving Party and then only after said later date;
  - c. which is possessed by the Receiving Party, as evidenced by the Receiving Party's written

records, before receipt thereof from the Disclosing Party;

- d. which is disclosed to the Receiving Party in good faith by a third party who has an independent right to such information; or
  - e. which is developed by the Receiving Party without assistance from the information received from the Disclosing Party, as evidenced by the Receiving Party's written records.
8. Nothing hereinabove contained shall be construed as granting or implying any right under any Letters Patent or to use any invention covered thereby. Nothing hereinabove shall be construed as granting or implying any right or duty to purchase any material. The obligations incurred in paragraphs 3, 4 and 5 shall terminate five years after return of Proprietary Information as provided in paragraph 2.
9. This Agreement is entered into in contemplation of, and shall be construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, NRG and BST have caused this Agreement to be executed by their duly authorized officers.

NATURAL RESERVES GROUP, INC.

By:

Stephen A. Graham  
(Signature)

Name:

Stephen A. Graham  
(Type or print)

Title:

Operations Manager

Date:

January 13, 1997

BAKER SERVICE TOOLS, A DIVISION OF BAKER HUGHES PRODUCTION TOOLS, INC.

(A Baker Hughes Incorporated Company)

By:

W. A. Shelton  
(Signature)

Name:

W. A. Shelton  
(Type or print)

Title:

Vice President - North American Marketing

Date:

1-6-92

AGREEMENT FOR THE EXCHANGE OF  
PROPRIETARY INFORMATION

This Agreement is entered into this 24th day of January, 19 92, between Baker Sand Control, a Baker Hughes Incorporated company, having a mailing address of P.O. 61486, Houston, TX 77208-1486, (hereinafter referred to as "BSC"); and Natural Reserves Group, Inc., having a mailing address of Five Post Oak Park, Suite 330, Houston, TX 77027, (hereinafter referred to as "NRG").

WHEREAS, each party is interested in disclosing certain of its confidential and proprietary information; and

WHEREAS, each party desires to keep secret and proprietary to itself the content of such disclosure; and

WHEREAS, each party desires to receive the other party's confidential and proprietary information to evaluate the possibility of BSC providing certain services, equipment, or materials in connection with the drilling and completion of horizontal drain holes in unconsolidated sands and in connection with the drilling and completion of horizontal drain holes with retrievable whipstocks.

WITNESSETH

NOW, THEREFORE, for and in consideration of the disclosure to each party of the confidential and proprietary information of the other party, the parties agree as follows:

1. The Proprietary Information shall mean, and shall include but not be limited to ideas, concepts, development plans for new or improved products or processes, data, formulae, techniques, designs, sketches, know-how, photographs, plans, drawings, specifications, samples, test specimens, reports, customer lists, price lists, findings, studies, or inventions.
2. The Disclosing Party shall make disclosure of Proprietary Information in a manner permitting the most appropriate and certain communication, i.e., orally, in writing, or partly orally and in writing. All confidential documents will be marked as such. Oral disclosures of Proprietary Information shall be reduced to writing and marked as confidential and provided to the Receiving Party within twenty (20) days of such disclosure. The Receiving Party agrees to return all Proprietary Information to the Disclosing Party upon demand from the Disclosing Party.

3. The Receiving Party hereby covenants and agrees that it will not knowingly (either directly or indirectly) reveal or disclose Proprietary Information or the fact that the parties have entered into this Agreement, to any other person, partnership, association, or corporation and shall treat all such Proprietary Information received from the Disclosing Party as a trade secret proprietary in nature to the Disclosing Party and will safeguard the secrecy of Proprietary Information by following the same procedures used in safeguarding its own valuable confidential information and trade secrets.
4. The Receiving Party covenants and agrees not to use, sell, lease, license or otherwise commercially use Proprietary Information or distribute information regarding the relationship of the parties, either directly or indirectly, unless express, prior authorization in writing is obtained from an officer of the Disclosing Party.
5. The Receiving Party further covenants and agrees to use its best efforts to prevent the disclosure by any of its employees of any Proprietary Information with which such employees become familiar as a result of the exchange of information under this Agreement.
6. The Receiving Party understands and agrees that the Disclosing Party is entitled, in the event of any breach of this Agreement, to obtain a restraining order and/or injunction from any competent court of equity to enjoin and restrain the Receiving Party and its employees or agents from any disclosure of Proprietary Information of the Disclosing Party. Such equitable remedies shall be in addition to and not in lieu of any damages to which the Disclosing Party may be entitled by law.
7. Nothing hereinabove contained shall deprive the Receiving Party of the right to use or disclose any information:
  - a. which is, at the time of disclosure, known to the trade or the public;
  - b. which becomes at a later date known to the trade or the public through no fault of the Receiving Party and then only after said later date;
  - c. which is possessed by the Receiving Party, as evidenced by the Receiving Party's written records, before receipt thereof from the Disclosing Party;

- d. which is disclosed to the Receiving Party in good faith by a third party who has an independent right to such information; or
- e. which is developed by the Receiving Party without assistance from the information received from the Disclosing Party, as evidenced by the Receiving Party's written records.
8. Nothing hereinabove contained shall be construed as granting or implying any right under any Letters Patent or to use any invention covered thereby. Nothing hereinabove shall be construed as granting or implying any right or duty to purchase any material. The obligations incurred in paragraphs 3, 4 and 5 shall terminate five years after return of Proprietary Information as provided in paragraph 2.
9. This Agreement is entered into in contemplation of, and shall be construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, NRG and BSC have caused this Agreement to be executed by their duly authorized officers.

NATURAL RESERVES GROUP, INC.

By: [Signature]  
(Signature)  
Name: HILMAR REISSIG  
(Type or print)  
Title: EXEC. VICE PRESIDENT  
Date: 1-24-92

BAKER SAND CONTROL  
(A Baker Hughes Incorporated Company)

By: [Signature]  
(Signature)  
Name: JOSEPH F. DONOVAN  
(Type or print)  
Title: Vice President, Research & Engineering  
Date: January 23, 1992

(NRG)

*It is agreed between the parties that this agreement is extended to March 12, 1993.*

[Signature]  
Duff F. Seales, President  
Natural Reserves Group, Inc.

[Signature]  
Henry B. [unclear]  
Mgr. of Sand Control Div.  
Dallas, TX

**AGREEMENT FOR THE EXCHANGE OF  
PROPRIETARY INFORMATION**

This Agreement is entered into this 24<sup>th</sup> day of January, 19 92, between Baker Service Tools, a Baker Hughes Incorporated company, having a mailing address of P.O. 40129, Houston, TX 77240-3596, (hereinafter referred to as "BST"); and Natural Reserves Group, Inc., having a mailing address of Five Post Oak Park, Suite 330, Houston, TX 77027, (hereinafter referred to as "NRG").

WHEREAS, each party is interested in disclosing certain of its confidential and proprietary information; and

WHEREAS, each party desires to keep secret and proprietary to itself the content of such disclosure; and

WHEREAS, each party desires to receive the other party's confidential and proprietary information to evaluate the possibility of BST providing certain services, equipment, or materials in connection with the drilling and completion of horizontal drain holes in unconsolidated sands and in connection with the drilling and completion of horizontal drain holes with retrievable whipstocks.

**WITNESSETH**

NOW, THEREFORE, for and in consideration of the disclosure to each party of the confidential and proprietary information of the other party, the parties agree as follows:

1. The Proprietary Information shall mean, and shall include but not be limited to ideas, concepts, development plans for new or improved products or processes, data, formulae, techniques, designs, sketches, know-how, photographs, plans, drawings, specifications, samples, test specimens, reports, customer lists, price lists, findings, studies, or inventions.
2. The Disclosing Party shall make disclosure of Proprietary Information in a manner permitting the most appropriate and certain communication, i.e., orally, in writing, or partly orally and in writing. All confidential documents will be marked as such. Oral disclosures of Proprietary Information shall be reduced to writing and marked as confidential and provided to the Receiving Party within twenty (20) days of such disclosure. The Receiving Party agrees to return all Proprietary Information to the Disclosing Party upon demand from the Disclosing Party.

3. The Receiving Party hereby covenants and agrees that it will not knowingly (either directly or indirectly) reveal or disclose Proprietary Information or the fact that the parties have entered into this Agreement, to any other person, partnership, association, or corporation and shall treat all such Proprietary Information received from the Disclosing Party as a trade secret proprietary in nature to the Disclosing Party and will safeguard the secrecy of Proprietary Information by following the same procedures used in safeguarding its own valuable confidential information and trade secrets.
4. The Receiving Party covenants and agrees not to use, sell, lease, license or otherwise commercially use Proprietary Information or distribute information regarding the relationship of the parties, either directly or indirectly, unless express, prior authorization in writing is obtained from an officer of the Disclosing Party.
5. The Receiving Party further covenants and agrees to use its best efforts to prevent the disclosure by any of its employees of any Proprietary Information with which such employees become familiar as a result of the exchange of information under this Agreement.
6. The Receiving Party understands and agrees that the Disclosing Party is entitled, in the event of any breach of this Agreement, to obtain a restraining order and/or injunction from any competent court of equity to enjoin and restrain the Receiving Party and its employees or agents from any disclosure of Proprietary Information of the Disclosing Party. Such equitable remedies shall be in addition to and not in lieu of any damages to which the Disclosing Party may be entitled by law.
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  - b. which becomes at a later date known to the trade or the public through no fault of the Receiving Party and then only after said later date;
  - c. which is possessed by the Receiving Party, as evidenced by the Receiving Party's written records, before receipt thereof from the Disclosing Party;

- d. which is disclosed to the Receiving Party in good faith by a third party who has an independent right to such information; or
  - e. which is developed by the Receiving Party without assistance from the information received from the Disclosing Party, as evidenced by the Receiving Party's written records.
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9. This Agreement is entered into in contemplation of, and shall be construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, NRG and BST have caused this Agreement to be executed by their duly authorized officers.

NATURAL RESERVES GROUP, INC.

By: [Signature]  
(Signature)  
Name: WILFRIED ZEISIG  
(Type or print)  
Title: EXEC. VICEPRES.  
Date: 1-24-91

BAKER SERVICE TOOLS  
(A Baker Hughes Incorporated Company)

By: [Signature]  
(Signature)  
Name: Robert F. Olsen  
(Type or print)  
Title: Marketing Manager, Horizontal Applications  
Date: 1/24/92

(NRG)